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Federal Communications Commission
Office of Secretary

Bellcore's Response

to the

**North American Numbering Council
(NANC)**

for a new

**North American Numbering Plan
Administrator (NANPA)**

April 3, 1997

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1. General Information

1.1 Introduction

This is Bellcore's proposal to be the new North American Numbering Plan Administrator (NANPA). Bellcore proposes to establish a separate subsidiary, referred to for convenience in this proposal as NANPA, Inc., that will become the new NANPA. As is described in detail in Section 1.2.2 below, NANPA, Inc. will:

- Assume Bellcore's present role as administrator of the North American Numbering Plan (NANP) as described in Section 4 of the Requirements Document, including the added requirement to administer non-dialable toll points.
- Assume the functions of central office (CO) code administration, including CO code request processing, Numbering Plan Area (NPA) relief planning, and other activities as defined in Section 5 of the Requirements Document.
- Provide the required enterprise service as described in Section 7 of the Requirements Document.

Belcore does not wish to bid on the billing and collection functions described in Section 8 of the Requirements Document. NANPA, Inc. will work with any entity selected by the Federal Communications Commission (FCC) to perform those functions.

We believe that the Belcore employees who administer the NANP today, and who will become the initial employees and resources of NANPA, Inc., are uniquely qualified to accomplish successfully the centralization of CO code administration. A detailed description of our experience and capabilities is provided in Section 3 of this proposal, with additional specific information included in the introductory paragraphs of Sections 4 and 5 of this proposal.

If selected to be the new NANPA, NANPA, Inc. will be subject to the oversight of the North American Numbering Council (NANC). Since the establishment of the NANC in October, 1996, current NANPA staff members have participated in NANC meetings, brought issues forward as appropriate, and presented information upon request.

NANPA, Inc. will comply with the appropriate directives from the FCC, Canadian regulatory authorities, and the appropriate regulatory agencies in the other nations that share the NANP. During its fourteen years as NANP administrator, Belcore has worked hand in hand with these agencies, and will continue to do so. In performing the additional functions required of the new NANPA, NANPA, Inc. will comply with the appropriate directives from state regulatory agencies with CO code administration and NPA code relief oversight authority. In addition, NANPA, Inc.

will bring to the NANC and to regulatory authorities for resolution any conflicts between/among such directives.

If selected to be the new NANPA, NANPA, Inc. will support the specific policy objectives listed in the Requirements Document; viz.:

1. That the NANP will facilitate entry into the communications marketplace by making numbering resources available on an efficient, timely basis to communications service providers.
2. That the NANP will not unduly favor or disfavor any particular industry segment or group of consumers.
3. That the NANP will not unduly favor one technology over another.
4. That the NANP will give consumers easy access to the public switched telephone network.
5. That the NANP will ensure that the interests of all NANP member countries are addressed fairly and efficiently, fostering continued integration of the NANP across NANP member countries.

The historical record (Section 3 of this proposal) will show that Bellcore has consistently supported these objectives during its fourteen years as the NANPA (a role that began prior to divestiture, in 1983).

1.2 Neutrality

This section of the proposal describes Bellcore's conformance with the neutrality criteria listed in the Requirements Document and explains Bellcore's proposal for the structure of a truly neutral new NANPA.

1.2.1 Conformance with Neutrality Criteria

Bellcore's conformance with each separate neutrality criterion is addressed in the subsections that follow.

1.2.1.1 Non-Governmental Entity

Criterion (unnumbered): *The new NANPA should be a non-governmental entity.*

Bellcore is not a governmental agency, nor is it affiliated with the government of any NANP member country. Completion of the pending sale of Bellcore to Science Applications International Corporation (SAIC) will not alter that status.

1.2.1.2 Affiliation

Criterion #1: *A respondent may not be an affiliate of any telecommunications service provider(s).*

Currently Bellcore does not meet this criterion because of its ownership by the Bell Regional Companies. Pending completion of the sale, however, as described in Section 1.2.2 below, Bellcore will place the NANPA function in a separate subsidiary, with its own management and five-member Board, with close oversight of NANPA activities by that Board, and with one or two "outside" Board members, including a Board member designated by NANC (NANC Director), and possibly one others to be appointed by Bellcore, subject to NANC review. We are suggesting that the NANC Director be the NANC Chair, but this is a decision to be made by NANC.

After completion of the pending sale to SAIC, Bellcore will meet this criterion because SAIC is not a telecommunications service provider. Nevertheless, if selected as the new NANPA, Bellcore will maintain the NANPA function in the separate subsidiary even after the sale, both to maintain the link to NANC oversight (through its participation on the Board) and to limit potential liability.

The only reason the sale to SAIC has not yet been consummated is that it is subject to certain state and federal government approvals. At this point, some of these approvals have been obtained and others are pending.

However, in the unlikely event that approval is still pending, 120 days after a NANC recommendation is made to the FCC, Bellcore believes that placing the NANPA function in a separate subsidiary, with "outside" membership on its Board with a link to

NANC, combined with the public oversight of its activities that the NANC is already exercising, will ensure that there is no undue influence by any parties with a vested interest in the outcome of numbering administration and activities during whatever short time period might remain at the expiration of that 120 day period for the sale to SAIC to be completed. Bellcore therefore requests that the NANC conclude under criterion #3 ("a respondent may be determinednot to be subject to undue influence by parties with a vested interest in the outcome of numbering administration and activities") that NANPA, Inc. will not be subject to undue influence in the above described arrangement. Finally, in the extremely unlikely event that (for presently totally unforeseeable reasons) sale by the Bell Operating Companies of their interests in Bellcore does not occur, Bellcore agrees to spin off the separate subsidiary either to another entity that is not affiliated with a telecommunications service provider, or as a stand-alone corporation.

1.2.1.3 Revenues and Debt

Criterion #2: *A respondent and any affiliate thereof may not issue a majority of its debt to, nor may it derive a majority of its revenues from, any telecommunications service provider.*

As it is stated, Bellcore meets this criterion today, and it certainly will do so after the sale to SAIC. In 1996 Bellcore received some 77% of its revenues (\$774 million of its \$1.01 billion revenues) from Bell Operating Companies; the remaining 23 percent was received from some 800 other entities. Thus, each Regional Company provided some 11 percent of Bellcore's revenues. This is

not a majority under the stated criterion. Bellcore's debt is not derived from any telecommunications service provider but from public financial institutions. And, as is explained below, although Bellcore will be earning revenues from multiple Bell Operating Companies, this will not provide them undue influence over Bellcore's activities, and certainly not over the activities of NANPA, Inc.

1.2.1.4 Undue Influence

Criterion #3: *Notwithstanding the Neutrality Criteria set forth in [criteria #1 and #2], a respondent may be determined to be or not to be subject to undue influence by parties with a vested interest in the outcome of numbering administration and activities. NANC may conduct an evaluation to determine whether a respondent meets the undue influence criterion.*

Bellcore believes that the structure introduced in Section 1.2.1.2 (and detailed in Section 1.2.2 below) will eliminate any possibility of undue influence both in any short period of delay in consummation of the sale to SAIC, and after the sale is consummated. We emphasize that while performing the NANPA function for 14 years as an affiliate of the Bell Regional Companies, there has never been a case in which a court or regulator found that Bellcore, in its capacity as an administrator, was unfair, biased, or discriminatory.

After consummation of the sale, Bellcore will neither be affiliated with nor controlled by Bell Operating Companies (or any other telephone service providers). Bellcore will be a wholly-owned

subsidiary of SAIC, with no ownership by a Bell Operating Company. Bell Operating Companies will not have any membership on Bellcore's Board (or SAIC's Board), nor will they have any power to direct or otherwise control any of Bellcore's activities. And, the level of SAIC revenues earned from Bell Operating Companies does not rise to any level of control. If Bellcore had been part of SAIC in 1996, Bell Operating Company revenues would have represented some 24 percent of SAIC's overall revenues. If current growth rates continue, by 1998 Bell Operating Company revenues will drop to about 20 percent of SAIC's revenues. (We are not factoring in non-Bell Operating Company revenues because such revenues are earned from all sectors of the telecommunications industry.)

Bellcore requests that the NANC consider the structure we detail in Section 1.2.2 below as fully responsive to the NANC and FCC concern that the NANPA be "truly neutral." It is Bellcore's belief that such a structure, when combined with the performance review process documented in Section 1.6 below, will meet the statutory requirement that the administrator be "impartial," and the need of the industry and regulators for an administrator that is not aligned with any sector of the industry.

1.2.1.5 "Cure" Period

Criterion (unnumbered): *A Respondent's compliance with these Neutrality Criteria must be demonstrated to be underway, as evidenced by the respondent's submittal with its response to this*

requirements document (i) a written agreement of principles, and (ii) a majority of closing documents, both of which pertain to a transaction or other action that will bring a Respondent into compliance with the Neutrality Criteria. Any respondent seeking to demonstrate that compliance is underway under the terms of this subsection shall be required to submit a written plan, as part of its response to this Requirements Document, detailing how it will comply with these Neutrality Criteria by 120 days after the NANC recommendation to the FCC.

Bellcore's owners and SAIC have reached agreement that Bellcore will be sold to SAIC. Consummation of the sale to SAIC will bring Bellcore into full compliance with the neutrality criteria specified in the Requirements Document. The sale would have already been completed, were it not for Bellcore's current ownership. Because Bellcore is owned by the Bell Operating Companies, certain regulatory approvals are required. Regulatory approval is still pending in several states. Bellcore believes that it will comply with the non-affiliation criterion within the 120-day "cure" period after a NANC recommendation is made to the FCC. In Section 1.2.1.2 Bellcore has provided for the unlikely event that the sale is temporarily delayed beyond that period, and the even more unlikely event that the sale will not be consummated. Thus, Bellcore believes that its proposal satisfies the criteria of the Requirements Document and demonstrates that

compliance is underway. Finally, Bellcore is willing provide copies of the confidential and proprietary purchase agreement directly to the FCC under seal, if the FCC so requests.

1.2.2 Bellcore's Proposal for Ensuring Neutrality

Bellcore recognizes that neutrality - whether perceived or actual - is important. Indeed, this was a factor in our decision nearly four years ago to offer to transfer our NANPA responsibilities to another entity. Bellcore believes that its NANPA organization has long been neutral, but some parties' fear of possible bias has made it untenable for a Bellcore owned by the Bell Operating Companies to continue in its NANPA role.

That situation has now changed. The impending sale of Bellcore to SAIC allows us to respond to the Requirements Document and offer the NANC the benefit of our 14 years of experience. If not for the sale, Bellcore would not have submitted this proposal to continue its NANPA role, despite the years of experience we bring to the job.

One NANPA Working Group participant astutely observed that, although some companies could be perceived to be more neutral than others, no company was completely "clean;" in other words, there were no black and white distinctions, only varying shades of gray. We agree with this assessment. We believe that under the NANPA, Inc. structure detailed in this proposal, Bellcore will be, and will be perceived to be, a truly neutral NANPA, and consistent with the environment

for fair and open number administration that is being created by the NANC, the industry and regulators.

The process for creating this environment is well under way with NANC's oversight of NANPA activities, with comprehensive regulatory review of numbering issues, and with the Industry Numbering Committee's (INC's) development and continual improvement of assignment guidelines for all numbering resources. The next step is the NANC's selection of the new NANPA. A potentially ideal model for the entity to serve as the new NANPA would be for it to have no lines of business other than number administration. While this may not guarantee true neutrality, it would minimize the possibility of influence stemming from the company's other lines of business, particularly if the company's Board was structured to contain "outside" directors. Bellcore's proposal is, in many respects, consistent with this model.

Bellcore proposes to utilize the following structure if it is selected as the new NANPA:

- The new NANPA will be incorporated as a fully-separated, wholly-owned Bellcore subsidiary. (The new company is referred to for convenience as NANPA, Inc.) NANPA, Inc.'s sole business will be number administration. Even after the sale of Bellcore to SAIC is completed, NANPA, Inc. will continue to be a subsidiary separate from Bellcore.

- Bellcore employees currently administering NANP resources will be transferred to NANPA, Inc., enabling continuity of the expertise of those individuals already trained and experienced. Employees of NANPA, Inc. will not be Bellcore employees.
- Bellcore/SAIC will supply essential support services to NANPA, Inc. by contract. These services include technical consulting, web site construction and maintenance, financial and payroll services, legal services, benefits, etc. NANPA, Inc. may also contract with other entities to obtain services that may be required but are not available from Bellcore/SAIC.
- In the extremely unlikely event that (for totally unforeseeable reasons) sale by the Bell Operating Companies of their interests in Bellcore does not occur, Bellcore will spin off NANPA, Inc. to another entity that is not affiliated with a telecommunications service provider (subject to NANC approval), or as a stand-alone corporation. Bellcore agrees to do so by a date to be fixed by the FCC that provides a reasonable time for such divestiture to be accomplished, and such date to be no earlier than December 31, 1997.

The establishment of NANPA, Inc. has many advantages. It allows uninterrupted use of the talents and experience of current NANPA personnel. It establishes NANPA, Inc. as a separate entity which does only numbering administration, thus addressing the issue of perceived neutrality.

Bellcore's commitment to spin off of NANPA, Inc. in the very unlikely event that Bellcore is not sold assures that any period of non-compliance with the non-affiliation requirement will be

temporary. In such case, ongoing number administration will not be disrupted and progress made towards centralizing CO code administration will not be lost.

The design of NANPA, Inc. will foster true neutrality and ensure that unbiased assignments cannot occur, or if unwise assignments are made, they will be caught and rectified immediately. To that end Bellcore proposes that:

- The NANC will designate one NANPA, Inc. Board member (NANC Director). Bellcore suggests that the NANC Director be the NANC chairperson, but this is a decision to be made by NANC. We are also willing to name an additional "outside" director, subject to confirmation by the NANC. It may be appropriate for one or both of these "outside" Board members to be drawn from governmental bodies with an interest in the administration of the NANP, if government employees are permitted to serve in such a capacity.
- Because NANPA, Inc. will be a separate organization, its financial books, procedures, and actions will be encapsulated, open and readily available for audit, as specified in the Requirements Document. NANPA, Inc.'s arrangements with Bellcore and other suppliers will be reduced to written contracts that will be available for audit.
- NANPA, Inc.'s Board of Directors will review and approve contractual arrangements with Bellcore and other suppliers.

- NANPA, Inc.'s performance monitoring plan (Section 1.6 of this proposal) will be comprehensive and responsive enough to permit timely NANC review of assignments, denials, and application processing performance, and to permit making changes and corrections as appropriate.
- NANPA, Inc., will make all assignments in conformance with industry developed assignment guidelines.

In summary, this proposal offers the industry the following advantages:

- It addresses both perceived and true neutrality, and strongly fosters the latter.
- It provides a solution with minimal impact on functional continuity. Making major changes to the way numbers are administered can disrupt the entire numbering system and can cause costly problems and delays, as other countries have found; e.g., the United Kingdom.
- It provides a *minimum risk* approach to the successful centralization of number administration.
 - ◆ No company has as much numbering knowledge and experience as Bellcore, combined with the ability to draw upon a broad range of technology expertise.

- ◆ Retaining the existing NANPA staff insures that the smooth transfer of current NANPA functions will not be a problem.
- ◆ Because of the current NANPA's knowledge of the central office code assignment guidelines, experience in central office code administration for the 809 NPA, and experience in NPA code administration for all of the NANP area, no group is better prepared to face up to the challenges of taking on central office code administration for the entire U.S.
- ◆ NANPA, Inc.'s arms length relationship with Bellcore, combined with Bellcore's commitment to spin off NANPA, Inc. should Bellcore not be sold, make NANPA, Inc. "portable," thus minimizing the risk of an interruption of central office code assignments or centralization should such a spin off be necessary.

As has been said by many, the North American Numbering Plan is the most successful and envied numbering plan in the world today, and the careful and competent way in which the plan has been administered is a factor in that success. We all recognize, however, that changes need to be made. The industry and the regulators are faced with a decision. They can either discard Bellcore's fourteen years of experience and start over, or they can evolve the current structure to meet the industry's needs. We believe that the latter approach will be more successful and beneficial to the North American Telecommunications sector, and that Bellcore's proposal is a step in that direction

1.3 Term of Administration

Bellcore agrees that NANPA, Inc., if selected, will perform the functions specified in this proposal, which include both current NANPA functions and CO code administration, for a five year period.

1.4 Valid Period for Respondent Proposals

This proposal, and the prices quoted therein, are valid for a period of twelve months from April 3, 1997.

1.5 Impact of Regulatory and Industry Activities

1.5.1 Regulatory Impacts

Bellcore acknowledges that regulatory agencies may issue rules, requirements, or policy directives that increase, decrease, or otherwise impact the functions performed by the administrator. In such cases NANPA, Inc., as directed in the NANC's answer to our question on this topic, will follow the process outlined in Section 1.5.2 of the Requirements Document.

1.5.2 Industry Numbering Committee Changes to Number Resource Assignment Guidelines

If, after NANPA, Inc. is selected to serve as administrator, regulatory authorities and/or the INC establish numbering resource plans, administrative directives, assignment guidelines (including modifications to existing assignment guidelines), and procedures which may affect the functions to

be performed by the new NANPA, then NANPA, Inc. agrees to follow the procedures below, which have been extracted from Section 1.5.2 of the Requirements Document:

When such INC numbering resource plans, administrative directives, assignment guidelines and procedures are developed, NANPA, Inc. will, within a period of not more than 10 business days from the date of the INC Initial Closure of the issue, assess the impact of such numbering resource plans, administrative directives, assignment guidelines and procedures on its operations and advise both the INC and the NANC of any changes that are required as a result of the INC actions, e.g., functions, performance monitoring, remuneration, etc. NANPA, Inc. will provide the NANC and the INC with written notice explaining why these changes are required.

1.6 Performance Review Process

1.6.1 Annual Performance Review and Assessment

NANPA, Inc., if selected, will cooperate with the NANC in its required annual review and assessment of NANPA performance, and will implement any required remedial action. The structure proposed by Bellcore, however, in which a NANC representative is a member of NANPA, Inc.'s Board of Directors, will permit any problems to be identified and corrected rapidly. NANPA, Inc. will cooperate with the NANC in the development and implementation of a formal mechanism to permit industry participants to provide performance assessment data and recommendations.

1.6.2 Performance Monitoring Process

If selected, NANPA, Inc. will develop and implement a performance monitoring process as described below.

1.6.2.1 Assignment Request and Complaint Processing Performance Criteria

In processing assignment requests, NANPA, Inc., will comply with the response time(s) specified in the appropriate assignment guidelines. If no response times are specified in the assignment guidelines, NANPA, Inc. will reach an assignment decision and notify the applicants within ten working days of the receipt of all required information, for 95% of all applications. In processing complaints, NANPA, Inc. will investigate any problems reported and respond to the complainant within ten working days, as stated in the Requirements Document.

When the assignment guidelines are deficient or unclear with regard to specific resource application, it may be necessary to obtain a ruling from the INC or the NANC itself. The overall time required to resolve such issues is beyond the control of the administrator. In these cases, the applicant will be notified, within the time period specified in the previous paragraph, that his or her application has raised an issue that must be resolved by the INC or by the NANC prior to processing the application.

NANPA, Inc. staffing plans are based on the assumption that the offered workload will not exceed that stated in the Requirements Document by more than 10%. Should the offered load exceed that